



**APPROVED 07-21-09**

**AUDIT COMMITTEE  
REGULAR MEETING  
3:00 p.m., Thursday, July 2, 2009  
City Hall, City Attorney's Conference Room  
3939 North Drinkwater Blvd.  
Scottsdale, AZ 85251**

**PRESENT:** Councilman Robert Littlefield, Chair  
Councilwoman Lisa Borowsky (arrived at 3:11 p.m.)  
Councilwoman Suzanne Klapp

**STAFF:** Joyce Gilbride, City Auditor's Office  
Lisa Gurtler, City Auditor's Office  
Joanna Munar, City Auditor's Office  
Sharron Walker, City Auditor

**OTHERS:** Richard Chess, Financial Services  
Janet Cornell, City Court  
John Little, City Manager  
Scott McCarty, Financial Services  
Jack Miller, City Court  
John Packham, Scottsdale Area Association of Realtors

**CALL TO ORDER/ROLL CALL**

Councilman Littlefield called the regular meeting to order a 3:00 p.m. A roll call confirmed the presence of Committee Members as noted above.

**1. Approval of May 18, 2009 Meeting Minutes**

**COUNCILWOMAN KLAPP MOVED TO APPROVE THE REGULAR MEETING MINUTES OF MAY 18, 2009. COUNCILMAN LITTLEFIELD SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN BOROWSKY ARRIVED LATER.**

**2. Discussion of Audit Report No. 0913, Independent Review of Minimum Accounting Standards at the City Court**

The auditor in charge of the review, Ms. Munar, stated that the Arizona Supreme Court requires that a review be done every three years. No exceptions were found. She and Ms. Cornell were prepared to answer any questions. The members of the Audit Committee had no questions.

**3. Discussion and Possible Direction Regarding the City Treasurer Search**

Chair Littlefield noted that City Council directed the Audit Committee to act as the Search Committee for a new City Treasurer. Chair Littlefield stated he had requested job descriptions for City Charter Officers and discovered there is no current job description for the City Treasurer. He has therefore drafted one for discussion purposes. Discussion ensued on the process to follow. Committee Member Klapp noted that the job description must follow the City Charter. Chair Littlefield suggested that everyone should send their comments on the draft job description to Laverne Parker-Diggs, General Manager of Human Resources. She could then collate the responses and bring them back to the next meeting of the Audit Committee for further discussion. City Manager John Little was in attendance to address this matter and asked that the Audit Committee's direction to Ms. Parker-Diggs go through him. Committee Member Klapp reiterated her concern about aligning the job description with the Charter, opining that any inconsistencies should be submitted to the Charter Review Task Force before City Council takes such a large decision.

**4. Discussion and Possible Direction Regarding the Management Response Time for a Draft Audit Report**

City Auditor Sharron Walker explained that a management response time of 15 days is in line with other municipalities and would enable the auditors to give reports to City Council more quickly. Committee Member Klapp remarked that this seems reasonable. Mr. Little agreed that a 15-day period is common practice, but given the cutbacks the City is implementing, he believes that the 30-day period currently in place is more reasonable to allow for a quality response. Chair Littlefield noted that at least in theory, the audit burden would be lightened as a result of that office's cutbacks. The Committee members agreed to revisit this question in a few months.

In response to Chair Littlefield's inquiry Ms. Walker said she believes it is important to work towards a shorter response time. She reminded the Committee that a lot of her background is with State agencies, which are typically understaffed. So the proposed 15-day time period does not seem to be an extraordinarily heavy burden. She suggested this question could be revisited in a few months.

Committee Member Klapp asked whether managers could be strongly encouraged to respond within two weeks. They could then gauge the response time and later on, this could be made mandatory. Financial Services General Manager Scott McCarty said his staff supports working towards this as a goal, but managers would need to know what the major issues in an audit are before the report is submitted to them.

Committee Member Klapp said that with good communication, some things could be addressed before the report is completed.

Mr. McCarty said if that environment were created, it would be feasible to shorten the response time to 15 days. That would be a good standard practice.

In response to a question from Chair Littlefield, Ms. Walker said that earlier communication of audit issues would happen to the extent that the Auditor's Department can implement this practice. She noted that there are three reports due to the Audit Committee by the end of August. In order to be on time, her department needs to provide a draft report by July 13, and they are still waiting for some of the data to analyze. Since she has only been in her position for two and a half weeks, Ms. Walker said she is willing to see how things go and bring this proposal back to the Committee after a few months.

## **5. Discussion and Possible Direction Regarding Follow-Up Audit Process**

Ms. Walker said that the Committee had asked for data on how many high priority action items there would be to help determine the frequency of follow-up reports. They had also asked the Auditor's Office to work with the City Attorney's Office to determine whether a follow-up program would need to be in the Code. Her analysis shows that of the roughly 440 items audited since FY2005, roughly a quarter were high priority items that should be followed up. In her experience follow-up of recommendations is typically done on a six-month cycle with items updated on a rolling cycle based on when the related audits were issues. She suggested that, to start with, follow-up reports with the most current status of each item could be done on a quarterly basis starting in September. As some items are resolved and the process is formalized, it may be possible to report to the Audit Committee on a monthly basis. The Committee Members agreed that this approach makes sense.

Ms. Walker reported that the City Attorney and she had discussed the follow-up program and agreed that although it is not required, it would be desirable to put something in the City Code to make it clear that the Audit Committee and City Council have directed that a follow-up program be put in place. She indicated that the draft language was based on wording recommended by the Association of Local Government Auditors, which has been vetted by the City Attorney's Office. Chair Littlefield asked her to have this item placed on the next City Council meeting agenda. He noted that there has always been follow-up and the Committee wanted this to be formalized and better tracked.

## **6. Discussion Regarding Status of Current Audit Progress**

Ms. Walker reported that before she came on board the external peer review by the Association of Local Government Auditors was completed. The report states that the Auditor's Office is in full compliance with government auditing standards. She thanked Ms. Joyce Gilbride who coordinated that review, as well as the entire office for doing excellent work.

She noted that there are three items she will be working on based on the review team's suggestions. The internal monitoring program is to be formalized into a procedure. The department needs to do a better job of revisiting and updating audit plans as the audit progresses. The review team also pointed out that based on government auditing standards, formal recommendations should be included in the reports. In FY 2008/2009, the office has issued 87 percent of the planned audits for the year.

Committee Member Klapp congratulated the department for having done so well while Mr. Stockwell was acting City Auditor. Other Committee Members concurred.

## **7. Discussion of Agenda Items for Next Audit Committee Meeting**

Noting a tentative agenda for the next meeting in the packet, Ms. Walker asked the Committee if they wish to continue meeting on the fourth Monday. Committee Member Klapp noted that the next meeting will be in August. After discussion, it was agreed to hold meetings at 4:00 p.m. The next meeting will be on Monday, August 24.

Ms. Walker said at that meeting she would bring the three audit reports remaining from the FY 2008/2009 schedule. They would also discuss the quarterly report for the taxpayer problem resolution survey. The City Treasurer search will also be on the agenda.

Chair Littlefield noted that at the August meeting the Committee would be voting on what to send to City Council regarding the City Treasurer search.

## **Public Comment**

No members of the public wished to address the meeting.

## **ADJOURNMENT**

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 3:30 p.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz